

HIGHWAY USER REVENUE FUND FISCAL YEAR 1999 YEAR-END REPORT



PREPARED BY:

**ARIZONA DEPARTMENT OF TRANSPORTATION
FINANCIAL MANAGEMENT SERVICES
OFFICE OF FINANCIAL PLANNING
AUGUST 1999**

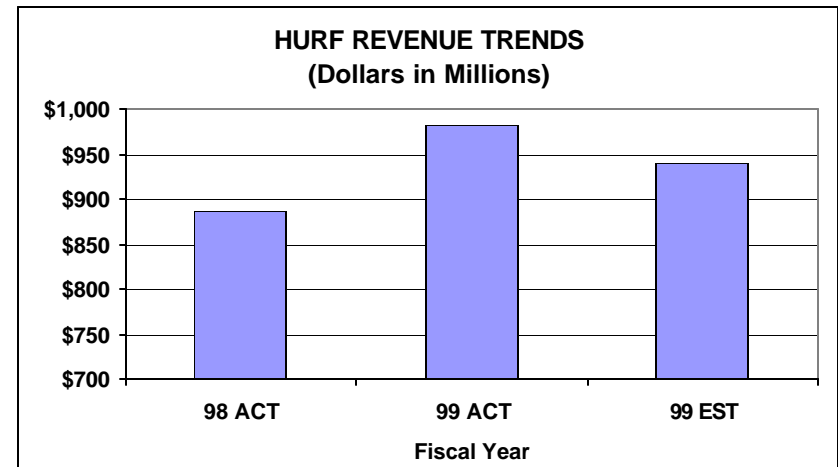


HIGHWAY USER REVENUE FUND

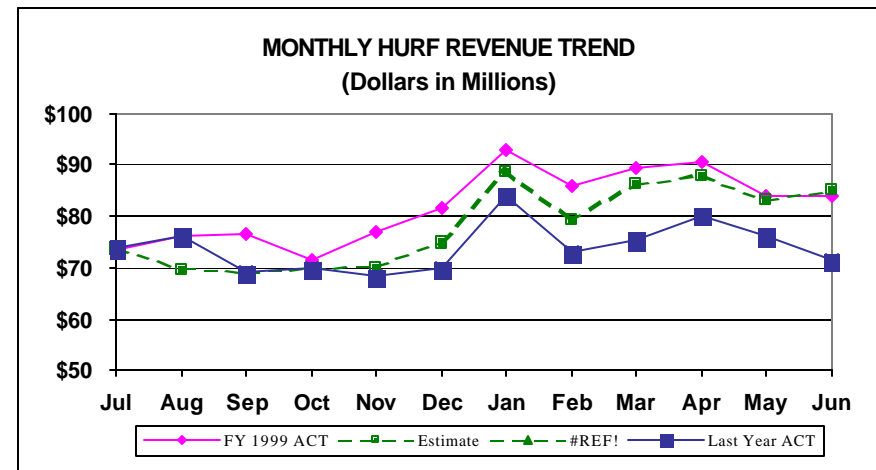
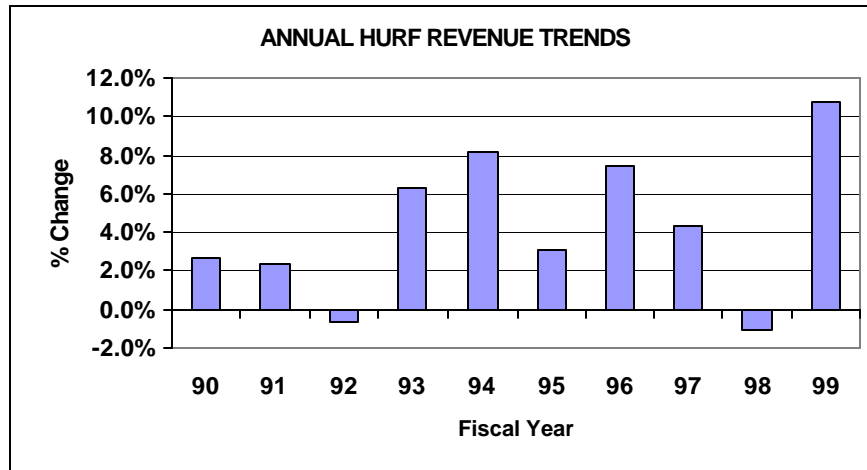
EXECUTIVE SUMMARY

The State of Arizona taxes motor fuels and collects fees relating to the registration and operation of motor vehicles, including gasoline and use fuel taxes, motor carrier fees, motor vehicle registration fees, vehicle license taxes (VLT), and other miscellaneous fees. Revenues are deposited in the Arizona Highway User Revenue Fund (HURF) and are then distributed to the cities, towns and counties and to the State Highway Fund. These fees and taxes are the primary source of revenue to the state for highway construction, improvements and other related expenses.

Fiscal Year (FY) 1999 HURF collections totaled \$982.8 million, \$95.3 million higher than FY 1998, a 10.7 percent increase. Revenues exceeded the forecast of \$939.9 million by 4.6 percent. All the major revenue categories posted gains over the FY 1998 revenue levels, except motor carrier. This was due to legislative changes to the Motor Carrier Tax in 1997. VLT and Registration produced the largest gain over FY 1998 levels.



REVENUE TREND ANALYSIS



Factors contributing to the FY 1999 growth included strong economic conditions in Arizona as well as revenue acceleration programs such as staggered and biennial registration. FY1998 realized a reduction in Interstate Motor Carrier revenues due to late implementation of Arizona 1997 legislation by other states. These revenues were collected in FY 1999 and continue into FY 2000.

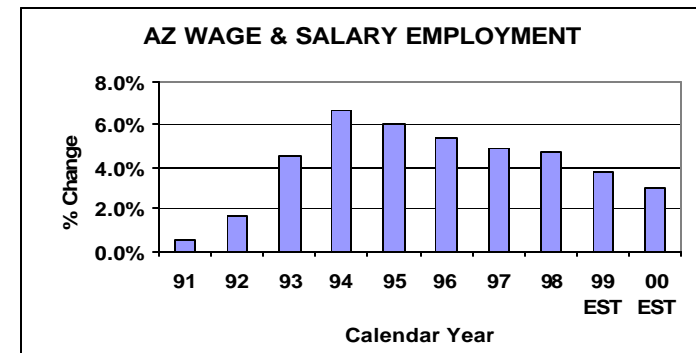
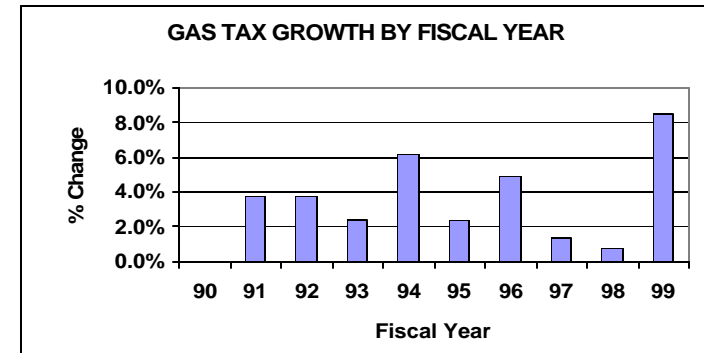
In 1997, legislation (SB 1144) was passed which repealed the motor carrier tax, replaced the tax with an annual motor carrier fee, repealed the \$.08 surcharge on use fuel and set an excise tax on use fuel at \$.27 per gallon. These changes were made to simplify administration and compliance by the Department and the motor carrier while maintaining revenue neutrality.

PERFORMANCE BY CATEGORY

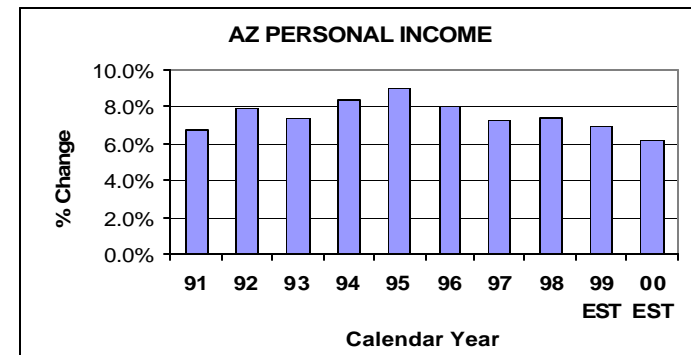
GAS TAX:

Gasoline taxes contributed \$397.5 million in revenues, exceeding FY 1998 collections by 8.5 percent, and the FY 1999 estimate by 5.3 percent. The growth in FY 1999 was higher than expected due in part to SB 1398, which changed the point of taxation to the rack effective January 1, 1998. The gasoline tax is the largest component of HURF collections, at approximately 40.4 percent of total receipts for FY 1999.

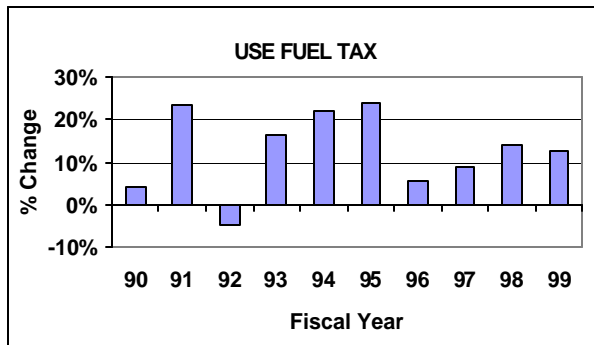
Increases in wage and salary employment and personal income for the first half of this decade have favorably impacted the Arizona economy. However, these economic indicators have shown slower growth since the mid-1990's. The Blue Chip Consensus estimated a 3.9 percent increase in Arizona wage and salary employment and 7.1 percent growth for Arizona personal income for Calendar Year (CY) 1998. The actual figures came in higher at 4.7 percent and 7.5 percent, respectively. For CY 1999, the estimates are slightly lower with a 3.8 percent estimate for wage and salary employment and 7.0 percent for personal income.



SOURCE: BLUE CHIP CONSENSUS - 7/99

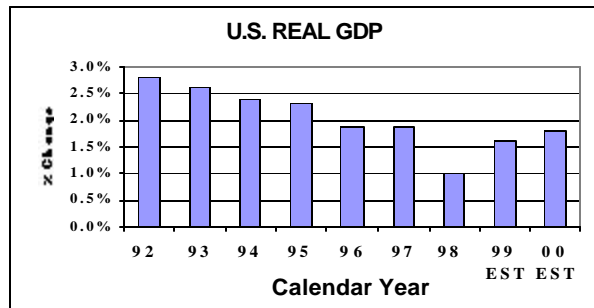


SOURCE: BLUE CHIP CONSENSUS - 7/99



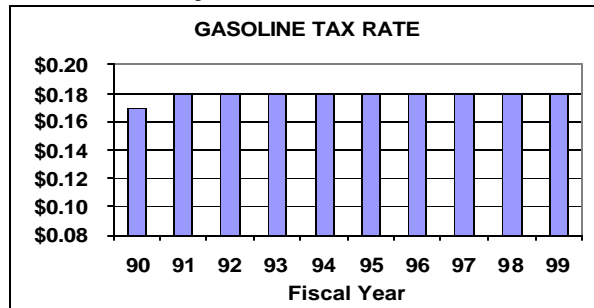
USE FUEL TAX:

Use fuel tax revenues for FY 1999 totaled \$160.3 million, reflecting an increase of 12.8 percent over last year's collections of \$142.2 million. 1997 legislation continues to impact collections. After the repeal of the use fuel surcharge (\$0.08 per gallon) on October 1, 1997 the base tax rate on use fuel was increased from \$0.18 to \$0.27 per gallon, effective January 1, 1998.



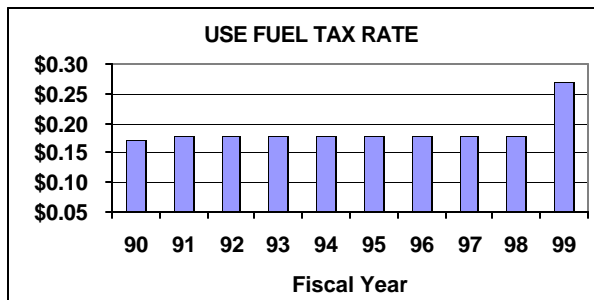
Increased commerce and truck traffic due to the continued strong national economy has contributed to the growth. In CY 1998, U.S. Real GDP grew at a rate of 1.0 percent. The Blue Chip Consensus estimates that the U.S. Real GDP will grow at a rate of 1.6 percent during CY 1999.

SOURCE: Blue Chip Consensus - 7/99



GASOLINE TAX RATE:

The chart to the left shows the gasoline tax rates per gallon in effect at the beginning of each fiscal year. The last tax increase was in FY 1991, bringing the tax rate to its present level of \$.18 per gallon.



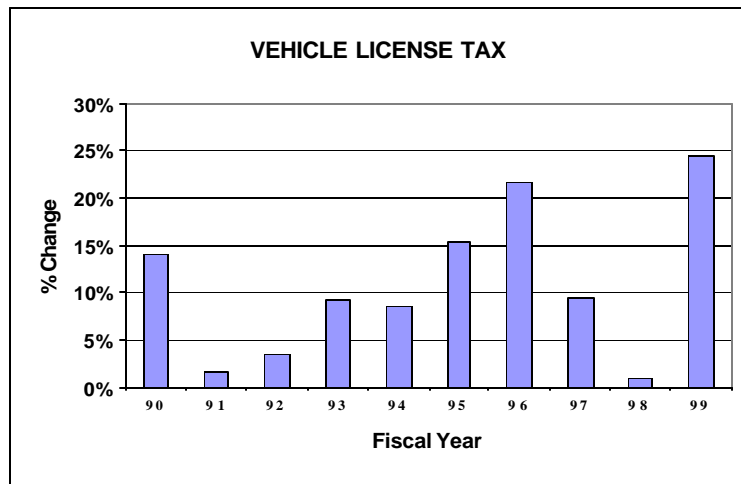
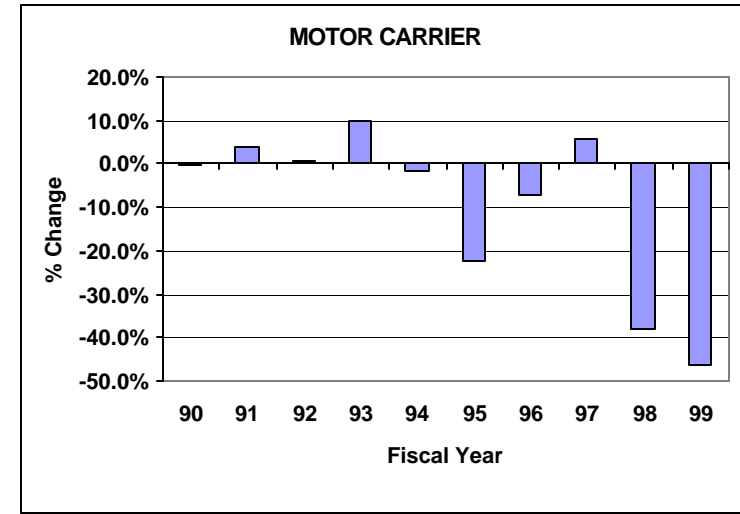
USE FUEL TAX RATE:

The use fuel tax rate per gallon in effect at the beginning of each fiscal year is shown in the chart to the left. The large increase in FY 1999 includes the \$.09 per gallon tax increase imposed on use fuel consumed by "use class" vehicles. The \$.08 per gallon surcharge on use fuel from January 1, 1994 through September 30, 1997 is not reflected in this chart.

MOTOR CARRIER:

Motor Carrier fee revenues were expected to decrease again in FY 1999 due to the 1997 legislative changes. The decrease, however, was greater than expected. Motor Carrier fee revenues totaled \$34.2 million, a decrease of 46.5 percent from FY 1998.

Motor Carrier fee revenues fell short of the estimate by 10.8 percent. Delays in implementing the provisions under SB 1144 by certain large states adversely impacted collections. These fees are being collected in FY 2000.



VEHICLE LICENSE TAX:

The HURF portion of VLT revenues totaled \$220.1 million in FY 1999 compared to \$177.0 million last year. This was a 24.4 percent increase over the prior year. The actual HURF VLT collections exceeded the estimate by \$16.1 million, or 7.9 percent.

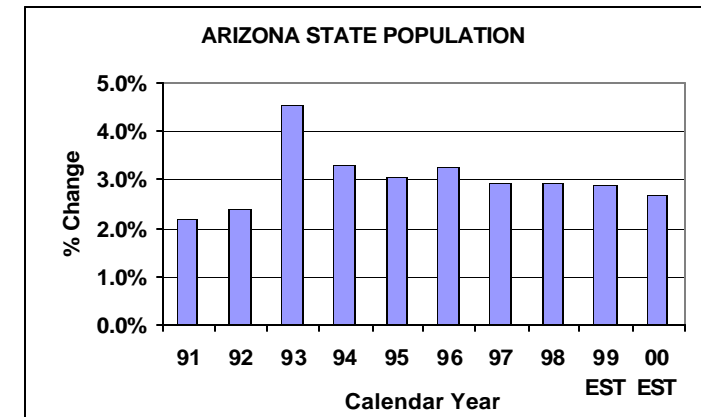
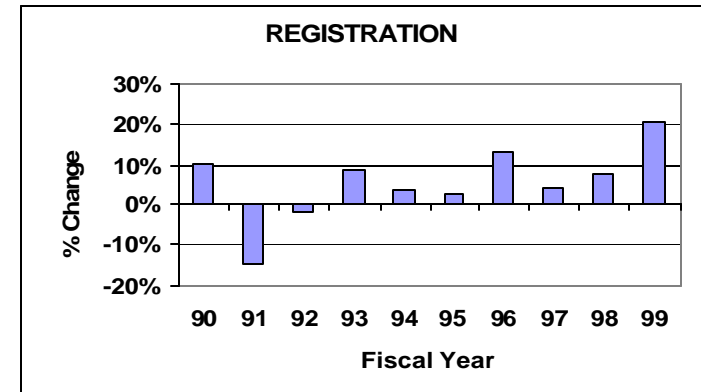
REGISTRATION:

Registration collections totaled \$132.0 million for FY 1999 resulting in a 20.6 percent increase over FY 1998. The majority of the increase was due SB 1144 which increased apportioned commercial registration fees by 60.3 percent. However, registration collections were 0.6 percent below the estimate, primarily due to delayed remittance of fees from two states.

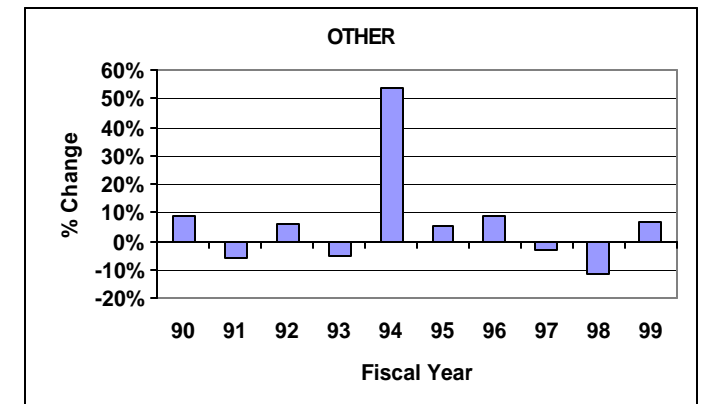
The continued increase in the State's population also contributes to the increase in registration collections, specifically, county registration collections. Arizona population was 4.7 million in CY 1998, reflecting a 2.9 percent gain over the previous year. It is estimated that Arizona's population will again increase 2.9 percent in CY 1999, to a total of 4.8 million.

OTHER FEES:

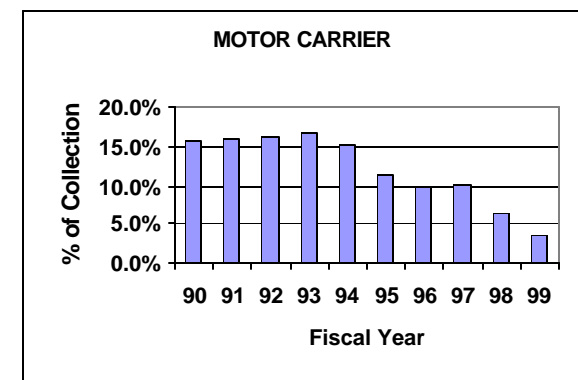
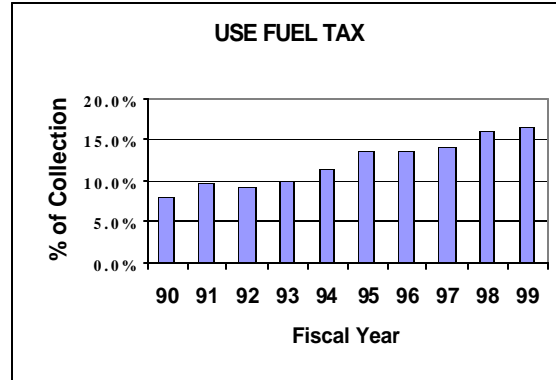
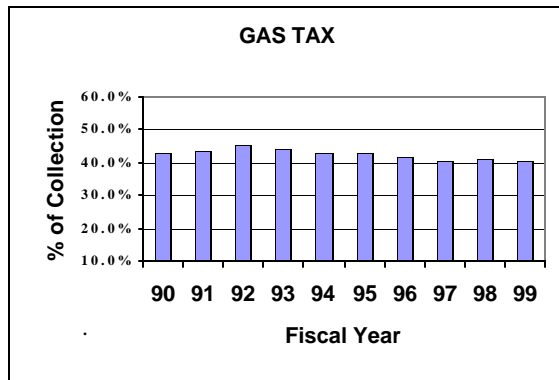
Other revenues increased 6.5 percent over last year's collections. Revenues for FY 1999 totaled \$38.8 million and were 0.7 percent above the forecast. Other fees consists of title fees, operator licenses, oversize permits, inquiry fees, use fuel permits, investment interest, and miscellaneous fees. Of these, only use fuel permits and miscellaneous fees fell short of the FY 1998 collections. The remaining categories were significantly above last year's revenue levels.



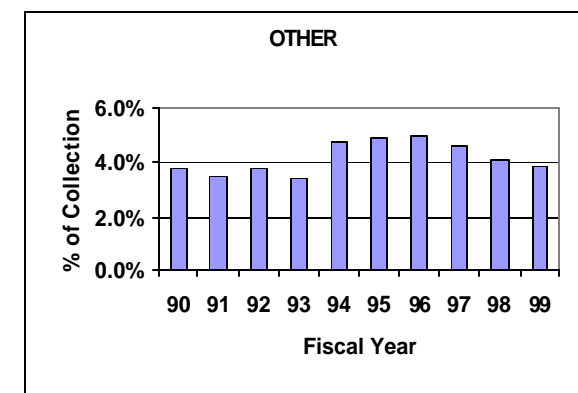
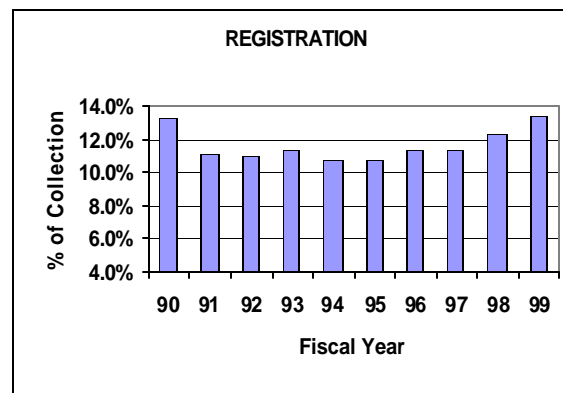
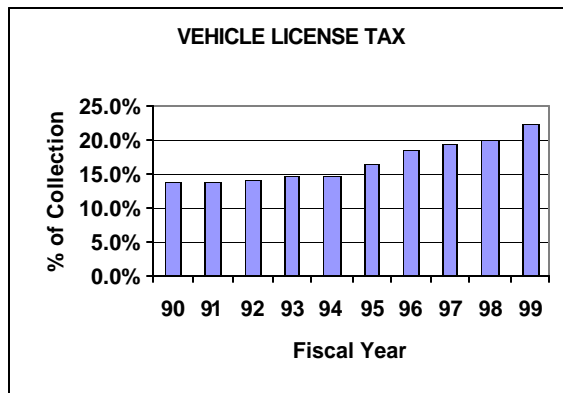
SOURCE: BLUE CHIP CONSENSUS - 7/99



REVENUE COMPOSITION COMPARISON



The continued increase in the share of HURF revenues contributed by Use Fuel tax is due to the implementation of HB 2170 in FY 1993, and SB 1398 and 1144 in FY 1998. The decrease in Motor Carrier revenue was impacted by HB 2239 in FY 1994 which lowered the motor carrier tax rates each year until the tax was repealed effective September 30, 1997. The steady increase in VLT collections is a result of a healthy economy in Arizona and the revenue acceleration programs implemented by MVD. The increase in Registration is due primarily to SB 1144 which significantly increased registration fees on motor carriers. The Other category's decline for FY 1999 is due to lower miscellaneous fee collections and the inclusion of credit card reimbursement fees to third party contractors.



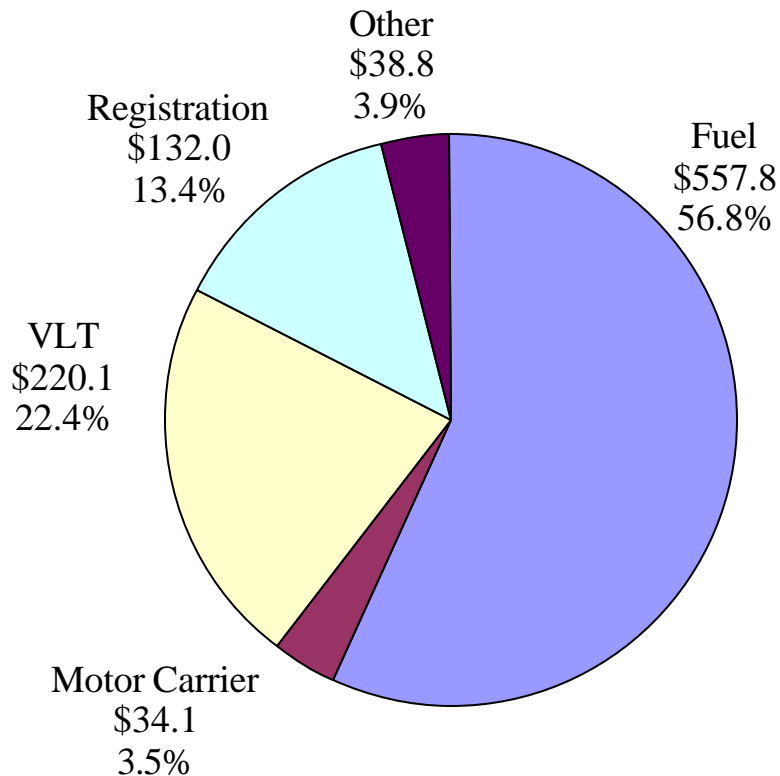
ARIZONA HIGHWAY USER REVENUE FUND

SOURCES AND USES OF FUNDS

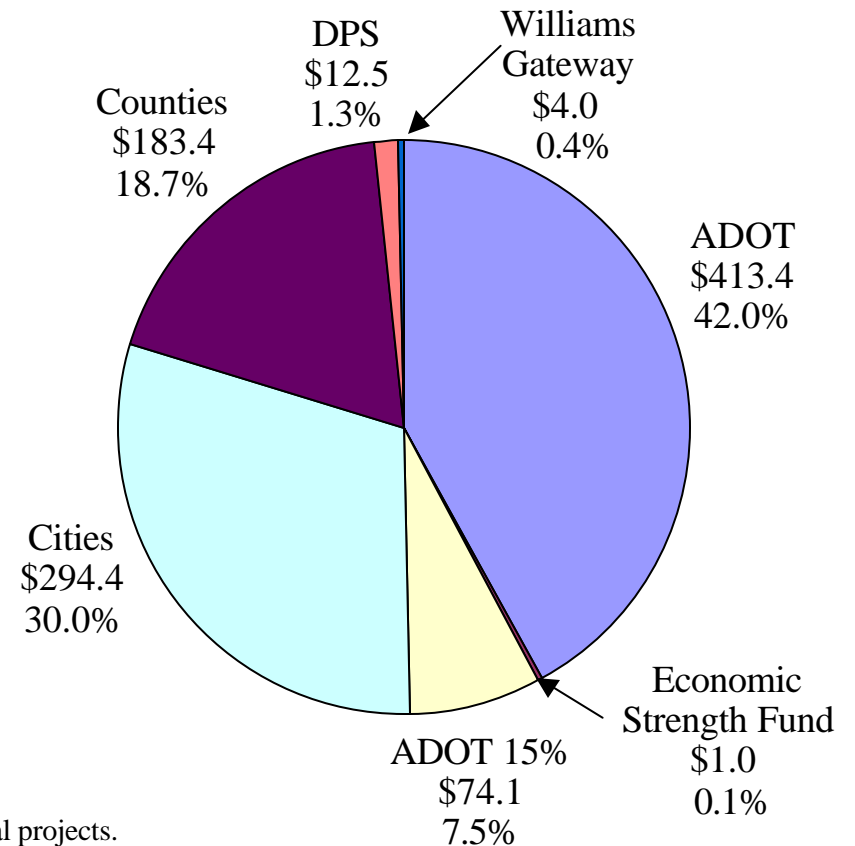
FY 1999

TOTAL: \$982.8 MILLION

SOURCES



DISTRIBUTION



NOTE: ADOT 15% represents ADOT's allocation of HURF for MAG and PAG regional projects.

ARIZONA HIGHWAY USER REVENUE FUND

REVENUE COMPARISON STATEMENT

CATEGORY	FY 1998 ACTUAL	FY 1999 ACTUAL	CHANGE	FY 1999 ESTIMATE	CHANGE
GAS TAX	\$366,376,609	\$397,463,150	8.5%	\$377,400,000	5.3%
USE FUEL TAX	142,166,607	160,311,949	12.8%	148,900,000	7.7%
SUBTOTAL	508,543,216	557,775,099	9.7%	526,300,000	6.0%
MOTOR CARRIER	63,845,891	34,139,960	-46.5%	38,300,000	-10.9%
VEHICLE LICENSE TAX	176,950,257	220,126,197	24.4%	204,000,000	7.9%
COUNTY REGISTRATION	53,500,373	60,668,193	13.4%	57,100,000	6.2%
PRORATE	37,771,914	60,560,172	60.3%	65,000,000	-6.8%
MISC. REGISTRATION	10,449,565	10,734,165	2.7%	10,700,000	0.3%
SUBTOTAL	101,721,852	131,962,530	29.7%	132,800,000	-0.6%
TITLE FEES	5,510,295	5,903,326	7.1%	5,600,000	5.4%
OPERATOR LICENSES	12,351,238	12,954,806	4.9%	14,100,000	-8.1%
OVERSIZE PERMITS	3,222,085	3,572,327	10.9%	3,200,000	11.6%
INQUIRY FEES	6,569,619	7,688,553	17.0%	6,700,000	14.8%
STATION FUEL FEES	1,188,203	1,117,928	-5.9%	1,200,000	-6.8%
INVESTMENT INTEREST	1,881,972	2,148,880	14.2%	2,000,000	7.4%
MISCELLANEOUS FEES	5,702,220	5,389,302	-5.5%	5,700,000	-5.5%
SUBTOTAL	36,425,632	38,775,123	6.5%	38,500,000	0.7%
TOTAL	\$887,486,848	\$982,778,909	10.7%	\$939,900,000	4.6%

ARIZONA HIGHWAY USER REVENUE FUND

REVENUE COLLECTIONS BY CATEGORY

(DOLLARS IN THOUSANDS)

Fiscal Year	Vehicle						General Fund	Total /1
	Gas Tax	Use Fuel Tax	Motor Carrier	License Tax	Registration	Other	Transfer	
1990	\$286,240	\$52,876	\$104,343	\$91,390	\$88,536	\$25,474	\$15,198	\$664,057
1991	296,816	65,202	108,655	92,826	75,657	24,033	16,632	679,821
1992	307,879	61,910	109,573	96,146	74,180	25,507	0	675,195
1993	315,227	72,008	120,303	105,027	80,717	24,161	0	717,443
1994	334,643	87,913	118,530	113,990	83,826	37,161	0	776,063
1995	342,299	108,790	92,103	131,562	86,159	39,238	0	800,152
1996	358,961	114,780	85,433	160,145	97,601	42,654	0	859,575
1997	363,953	124,748	90,186	175,253	101,528	41,294	0	896,962
1998	366,377	142,167	56,123	176,950	109,445	36,425	0	887,487
1999	397,463	160,312	34,150	220,126	131,952	38,775	0	982,779
Total	\$3,369,858	\$990,706	\$919,399	\$1,363,415	\$929,601	\$334,722	\$31,830	\$7,939,534

Note:

/1 Details may not add due to individual rounding.

ARIZONA HIGHWAY USER REVENUE FUND

REVENUE DISTRIBUTIONS

(DOLLARS IN THOUSANDS)

FISCAL YEAR	ARIZONA	MAG	PAG	CITIES	ECONOMIC						TOTAL/6
	HIGHWAY FUND	CONTROLLED ACCESS	CONTROLLED ACCESS	AND TOWNS	COUNTIES	DEPT. OF PUBLIC SAFETY/1	STRENGTH PROJECT FUND/2	MANDATORY INSURANCE TRANSFER/3	BORDER AREA PROJECTS/4	WILLIAMS GATEWAY/5	
1990	\$277,445	\$39,190	\$13,063	\$209,767	\$124,092		\$500				\$664,057
1991	294,567	39,225	13,075	208,708	123,746		500				679,821
1992	288,991	38,111	12,704	201,394	119,068	\$12,453	1,000	\$1,473			675,194
1993	302,176	39,846	13,282	210,531	124,468	24,928	1,000	1,212			717,443
1994	328,151	43,270	14,423	228,606	135,157	24,925	1,000	532			776,064
1995	339,752	44,890	14,963	237,920	140,627	20,000	1,000		\$1,000		800,152
1996	365,016	48,607	16,202	256,988	151,762	20,000	1,000				859,575
1997	376,193	50,573	16,858	267,931	166,908	17,500	1,000				896,963
1998	373,206	50,171	16,724	265,803	165,583	15,000	1,000				887,487
1999	413,371	55,571	18,524	294,410	183,403	12,500	1,000			4,000	982,779
Total	\$3,358,868	\$449,454	\$149,818	\$2,382,058	\$1,434,814	\$147,306	\$9,000	\$3,217	\$1,000	\$4,000	\$7,939,535

Note:

- 1/ In certain fiscal years, the legislature has authorized the distribution of Arizona Highway User Revenue to the Arizona Department of Public Safety for highway patrol expenditures.
- 2/ The Economic Strength Project Fund was statutorily established on May 17, 1989. Money in the fund is to be used for highway projects that provide economic benefits to the State or local jurisdictions.
- 3/ Appropriation to the Motor Vehicle Division for funding of mandatory insurance enforcement administration.
- 4/ Appropriation to the Motor Vehicle Division for improvements to border area ports of entry.
- 5/ Appropriation to the Department of Commerce for Williams Gateway Authority roadway projects.
- 6/ Details may not add to the total due to individual rounding.

HURF DISTRIBUTION TO ARIZONA CITIES AND COUNTIES FY 1998 - 99

COUNTY	CITY	COUNTY \$	CITY \$	COUNTY	CITY	COUNTY \$	CITY \$	COUNTY	CITY	COUNTY \$	CITY \$
Apache		\$6,378,816.59		La Paz		\$3,098,991.57		Pima		\$35,199,801.25	
	Eagar		\$1,172,793.82		Parker		\$943,548.45		Marana		\$409,559.34
	Springerville		\$502,730.43		Quartzite		\$640,810.15		Oro Valley		\$1,521,024.94
	St. Johns		\$885,175.12						South Tucson		\$462,880.61
				Maricopa		\$72,233,142.50			Tucson		\$43,310,831.75
Cochise		\$7,838,477.66			Apache Junction		\$9,721.19		Sahuarita		\$175,798.23
	Benson		\$406,345.29		Avondale		\$1,573,340.53				
	Bisbee		\$645,000.80		Buckeye		\$340,594.02	Pinal		\$9,142,560.00	
	Douglas		\$1,455,526.75		Carefree		\$157,244.77		Apache Junction		\$1,750,218.54
	Huachuca City		\$190,861.41		Cave Creek		\$215,080.76		Casa Grande		\$1,885,869.73
	Sierra Vista		\$3,719,486.69		Chandler		\$9,035,776.47		Coolidge		\$637,075.08
	Tombstone		\$138,314.39		El Mirage		\$402,206.45		Eloy		\$797,973.53
	Wilcox		\$347,025.42		Fountain Hills		\$969,292.93		Florence		\$996,011.89
					Gila Bend		\$122,125.02		Kearny		\$221,640.16
Coconino		\$9,093,245.34			Gilbert		\$3,951,254.90		Mammoth		\$177,657.03
	Flagstaff		\$7,207,158.03		Glendale		\$12,682,234.51		Superior		\$314,355.48
	Fredonia		\$167,882.75		Goodyear		\$631,613.65				
	Page		\$1,057,141.51		Guadalupe		\$381,545.73	Santa Cruz		\$2,316,818.98	
	Williams		\$361,212.42		Litchfield Park		\$262,386.01		Nogales		\$2,049,914.25
	Sedona		\$354,771.92		Mesa		\$29,189,769.99		Patagonia		\$94,150.75
					Paradise Valley		\$870,632.79				
Gila		\$3,240,683.54			Peoria		\$5,091,159.96	Yavapai		\$8,388,495.76	
	Globe		\$810,734.82		Phoenix		\$97,729,446.36		Camp Verde		\$709,876.03
	Hayden		\$104,904.04		Queen Creek		\$214,975.92		Chino Valley		\$591,775.98
	Miami		\$234,462.45		Scottsdale		\$11,624,641.97		Clarkdale		\$246,716.28
	Payson		\$1,252,393.89		Surprise		\$731,151.00		Cottonwood		\$621,719.38
	Winkelman		\$77,852.41		Tempe		\$10,767,285.02		Jerome		\$44,384.78
					Tolleson		\$310,098.39		Prescott		\$2,908,624.68
Graham		\$2,123,409.39			Wickenburg		\$333,669.39		Prescott Valley		\$1,420,452.51
	Pima		\$165,386.70		Youngtown		\$188,711.99		Sedona		\$593,559.57
	Safford		\$773,653.32								
	Thatcher		\$355,203.49	Mohave		\$8,657,996.05		Yuma		\$8,436,798.50	
					Bullhead City		\$2,765,189.15		Somerton		\$579,933.31
Greenlee		\$818,881.71			Colorado City		\$325,703.19		San Luis		\$763,164.33
	Clifton		\$316,395.94		Kingman		\$1,717,370.52		Welton		\$112,415.14
	Duncan		\$77,676.27		Lake Havasu City		\$3,648,763.26		Yuma		\$6,038,702.98
				Navajo		\$6,434,873.36					
					Pinetop/Lakeside		\$435,380.10				
					Holbrook		\$674,740.67				
					Show Low		\$919,215.78				
					Snowflake		\$548,441.93				
					Taylor		\$353,760.83				
					Winslow		\$1,434,806.18				
	FISCAL YEAR 1998-99 TOTALS:										
			\$294,410,066.29								
			\$183,402,992.20								

* Data includes FY 1997 and FY 1998 Hold Harmless adjustments for cities and towns and fuel redistribution.

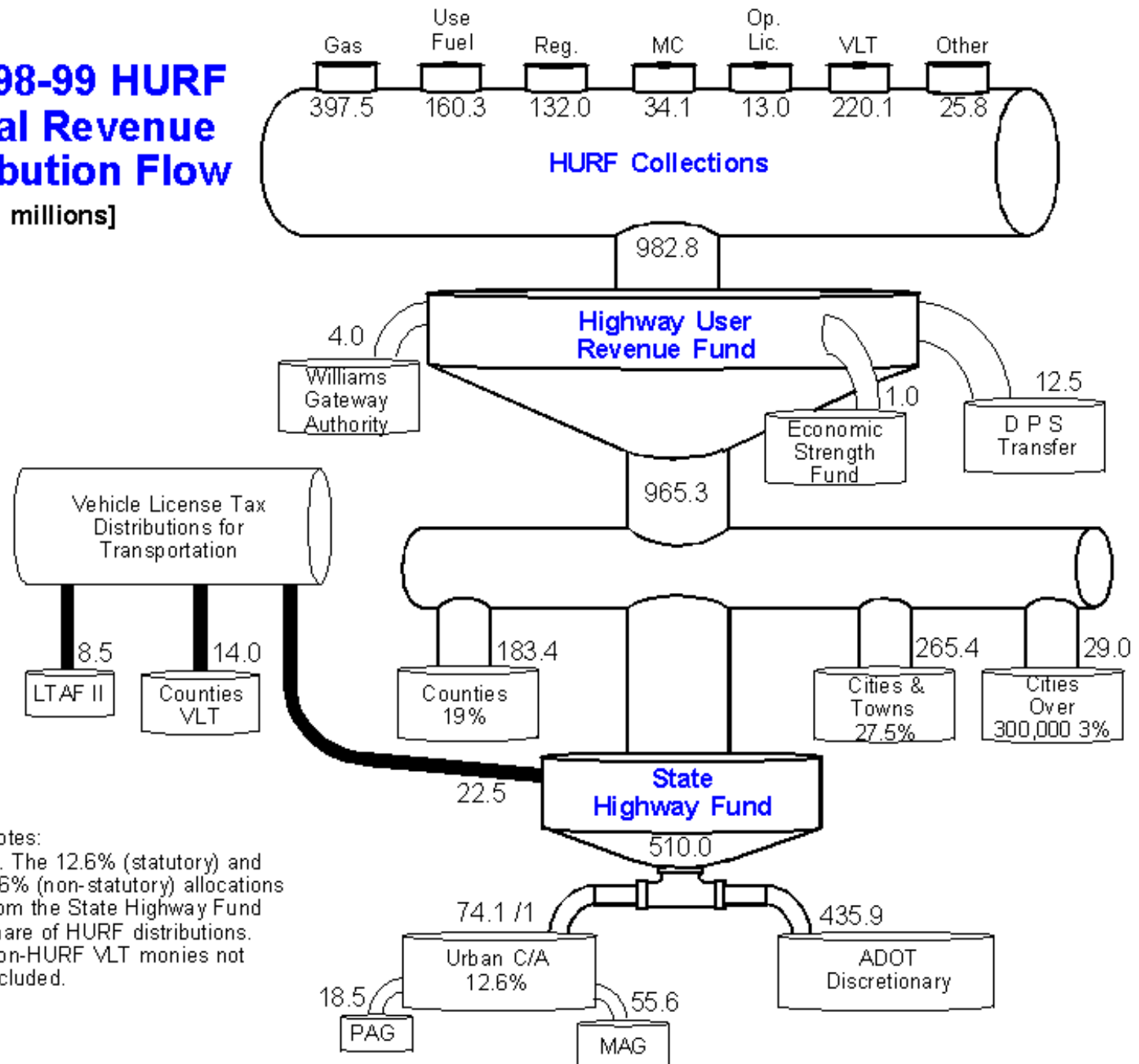
HIGHWAY USER REVENUE FUND DISTRIBUTION OVERVIEW

Revenues from: \$.18 Gas Tax \$.27 Use Fuel Tax (1/98) Vehicle Registration Motor Carrier 37.61% of VLT Other	Distribution breakdown: 50.5% to State Highway Fund 27.5% to Cities & Towns 3% to Cities over 300,000 19% to Counties	Distribution formulas: 7.67% to Maricopa and Pima Counties for Controlled Access with a 75% and 25% split respectively. (Statutory 12.6% & Special 2.6% money) 42.83% to ADOT Discretionary. One half distributed on basis of incorporated population and one half on the basis of county origin of gasoline sales and city or town population within each county. Distributed to Phoenix, Tucson and Mesa based on population. Distributed based on a portion of gasoline distribution and diesel fuel consumption and on a portion of unincorporated population. The split as follows: 85/15 in FY 1997, 80/20 in FY 1998, 76/24 in FY 1999, and 72/28 in FY 2000 and thereafter)
Revenues from: Portion of VLT (8/98)	Distribution breakdown: 1.64% to State Highway Fund 2.45% to Counties in FY 1999 4.91% to Counties in FY 2000 and thereafter.	Distribution formulas: ADOT Discretionary Distributed based on unincorporated population.

NOTE: 1996 Session Law includes a hold harmless clause that states if an incorporated city or town would receive less than what it received in FY 1996, the balance due the city or town shall be distributed proportionately from those cities and towns receiving more than received in FY 1996.

FY 1998-99 HURF Actual Revenue Distribution Flow

[\$ in millions]



Notes:
1. The 12.6% (statutory) and 2.6% (non-statutory) allocations from the State Highway Fund share of HURF distributions. Non-HURF VLT monies not included.

REVENUE CATEGORY DEFINITIONS

GASOLINE TAX	A per-gallon tax imposed on gasoline used by vehicles on Arizona highways; presently this tax is 18 cents per gallon.
USE FUEL TAX	Includes all gases and liquids used to propel motor vehicles except for motor fuel (gasoline): primarily diesel fuel which is presently 27 cents per gallon for “use class” vehicles and 18 cents per gallon for “non-use class” vehicles; jet fuel is exempt from fuel and use fuel taxes.
MOTOR CARRIER FEE	Includes Motor Carrier Fee- a fee imposed on certain commercial carriers based on vehicle weight and distance traveled. Also includes: Motor Carrier License Tax, Motor Carrier Tax Penalties, late fees and interest, and Motor Carrier Permits Tax, and application fees.
VEHICLE LICENSE TAX	An annual license tax imposed on registered vehicles in lieu of property taxes.
REGISTRATION FEES	<p>Is made up of three distinct components which are:</p> <p>County Registration - non-commercial and commercial vehicle registration, and commercial weight fees.</p> <p>Prorate Registration - commercial registration fees allocated according to miles traveled in Arizona.</p> <p>Miscellaneous Registration - Non-resident Permits, Unassigned Registration, Prorate Stickers, and Registration Penalties.</p>
OTHER FEES	Includes Title Fees, Operator Licenses, Oversize/Overweight Permits, Use Fuel Permits and Fuel Tax Penalties, Investment Interest, Special Plates, and other miscellaneous fees.